

**ASSEMBLY BILL**

**No. 12**

**Introduced by Assembly Member Dutra  
(Principal coauthor: Assembly Member Nation)**

December 22, 2003

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An act to amend Section 10754 of the Revenue and Taxation Code, and to repeal Item 9100-102-0001 of Section 2.00 of Chapter 157 of the Statutes of 2003, relating to vehicle license fees, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 12, as introduced, Dutra. Vehicle license fees.

(1) The Vehicle License Fee (VLF) Law establishes, in lieu of any ad valorem property tax upon vehicles, an annual license fee for any vehicle subject to registration in this state in the amount of 2% of the market value of that vehicle, as specified. The VLF Law offsets the annual vehicle license fee by 67.5% for those vehicle license fees with a final due date on or after July 1, 2001. Existing law requires the VLF offset to be proportionately reduced within 90 days of a finding that there are insufficient moneys available to be transferred from the General Fund to fully fund the vehicle license fee offset.

This bill would, for vehicle license fees with a final due date on and after July 1, 2004, eliminate the requirement to proportionately reduce the VLF offset.

(2) Existing law requires the Controller, upon receipt of monthly notification from the Department of Motor Vehicles, to transfer, into specified funds and accounts, an amount equal to those amounts necessary to reimburse local governments for losses resulting from the

VLF offset, but limits the amount of moneys available for reimbursement to local governments during the 2003–04 fiscal year to \$1,000.

This bill would repeal the existing \$1,000 reimbursement limitation, and would instead appropriate \$3,625,000,000 from the General Fund for reimbursement to local governments for revenue losses resulting from the application of the VLF offset. The bill would also require the Controller to provide reimbursement to local governments no later than August 15, 2006, for those revenue losses in excess of \$3,625,000,000 resulting during the 2003–04 fiscal year from the application of the VLF offset.

(3) The vehicle license fee offset was reduced to zero for the period beginning on and after October 1, 2003, based on a finding that insufficient moneys were available to fund the vehicle license fee offsets. On November 17, 2003, that reduction of the vehicle license fee offset was rescinded.

This bill would appropriate \$10,300,000 from the General Fund for allocation to the Department of Motor Vehicles for the purpose of administering refunds to taxpayers that paid vehicle license fees with a final due date on and after October 1, 2003, for which the vehicle license fee offset was not allowed.

(4) Existing law requires the Controller, no later than August 15, 2006, to transfer, into a specified account an amount equal to those amounts of moneys that would have been transferred into that account to reimburse local governments for the losses during the 2003–04 fiscal year, but for a finding that insufficient moneys available to be transferred from the General Fund to fully fund the vehicle license fee offsets and requires the transferred moneys to be allocated from that account in the manner otherwise specified by law. Existing law also authorizes the Controller, with the approval of the Department of Finance, to advance to any county or city that entity’s share of the vehicle license fee revenues that the entity would have received, but for the finding that insufficient moneys are available to be transferred from the General Fund, if that entity is able to demonstrate that it will experience a “hardship,” as defined, if the advance is not made.

This bill would make technical clarifying changes to those provisions.

(5) This bill declares that it is to take effect immediately as an urgency statute.



Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 10754 of the Revenue and Taxation  
2 Code is amended to read:

3 10754. (a) Notwithstanding any other provision of law, the  
4 total amount of the vehicle license fee otherwise required with  
5 respect to a vehicle shall be offset in accordance with those  
6 provisions set forth below that are operative pursuant to  
7 subdivision (b):

8 (1) (A) For any initial or original registration of any vehicle,  
9 never before registered in this state, for which the final due date  
10 for the license fee is on or after January 1 of any calendar year for  
11 which this paragraph is operative, and for any renewal of  
12 registration with an expiration date on or after January 1 of any  
13 calendar year for which this paragraph is operative, the department  
14 shall offset the total amount of fees otherwise due at the time of  
15 registration of that vehicle by an amount equal to 25 percent of the  
16 amount computed pursuant to Section 10752 or 10752.1, or  
17 Section 18115 of the Health and Safety Code.

18 (B) Upon proper payment of license fees to the Department of  
19 Motor Vehicles, the amount of the offset for each vehicle shall be  
20 transferred into the Motor Vehicle License Fee Account in the  
21 Transportation Tax Fund, and into the Local Revenue Fund,  
22 pursuant to Section 11000 or Section 11000.1, as applicable.

23 (C) During any period in which insufficient moneys are  
24 available to be transferred from the General Fund to fully fund the  
25 offsets required by subparagraph (A), within 90 days of a  
26 reduction of funding, the department shall reduce the amount of  
27 each offset computed pursuant to that subparagraph by  
28 multiplying that amount by the ratio of the amount of moneys  
29 actually available to be transferred from the General Fund to pay  
30 for those offsets to the amount of moneys that is necessary to fully  
31 fund those offsets.

32 (2) (A) For any initial or original registration of any vehicle,  
33 never before registered in this state, for which the final due date  
34 for the license fee is on or after January 1 of any calendar year for  
35 which this paragraph is operative, and for any renewal of



1 registration with an expiration date on or after January 1 of any  
2 calendar year for which this paragraph is operative, the department  
3 shall offset the total amount of fees otherwise due at the time of  
4 registration of that vehicle by an amount equal to 35 percent of the  
5 amount computed pursuant to Section 10752 or 10752.1, or  
6 Section 18115 of the Health and Safety Code.

7 (B) Upon proper payment of license fees to the Department of  
8 Motor Vehicles, the amount of the offset for each vehicle shall be  
9 transferred into the Motor Vehicle License Fee Account in the  
10 Transportation Tax Fund, and into the Local Revenue Fund,  
11 pursuant to Section 11000 or Section 11000.1, as applicable.

12 (C) During any period in which insufficient moneys are  
13 available to be transferred from the General Fund to fully fund the  
14 offsets required by subparagraph (A), within 90 days of a  
15 reduction of funding, the department shall reduce the amount of  
16 each offset computed pursuant to that subparagraph by  
17 multiplying that amount by the ratio of the amount of moneys  
18 actually available to be transferred from the General Fund to pay  
19 for those offsets to the amount of moneys that is necessary to fully  
20 fund those offsets.

21 (3) (A) For any initial or original registration of any vehicle,  
22 never before registered in this state, for which the final due date  
23 for the license fee is on or after January 1 of any calendar year for  
24 which this paragraph is operative, and for any renewal of  
25 registration with an expiration date on or after January 1 of any  
26 calendar year for which this paragraph is operative, the department  
27 shall offset the total amount of fees otherwise due at the time of  
28 registration of that vehicle by an amount equal to  $67\frac{1}{2}$  percent of  
29 the amount computed pursuant to Section 10752 or 10752.1, or  
30 Section 18115 of the Health and Safety Code.

31 (B) Upon proper payment of license fees to the Department of  
32 Motor Vehicles, the amount of the offset for each vehicle shall be  
33 transferred into the Motor Vehicle License Fee Account in the  
34 Transportation Tax Fund, and into the Local Revenue Fund,  
35 pursuant to Section 11000 or Section 11000.1, as applicable.

36 (C) ~~During~~ (i) *Except as provided in clause (ii), during* any  
37 period in which insufficient moneys are available to be transferred  
38 from the General Fund to fully fund the offsets required by  
39 subparagraph (A), within 90 days of a reduction in funding, the  
40 department shall reduce the amount of each offset computed

pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(ii) *This subparagraph does not apply to any vehicle license fee with a final due date on and after July 1, 2004.*

(D) (i) The Controller shall, no later than August 15, 2006, transfer from the General Fund to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund amounts equal to those moneys that are otherwise required, pursuant to subparagraph (B), to be transferred into that account, that are not so transferred into that account during the 2003–04 fiscal year as a result of ~~the operation of subparagraph (C)~~ *a finding that insufficient moneys are available to be transferred from the General Fund to fund the offset authorized by subparagraph (A).* The transferred moneys shall be allocated from the account in the manner as otherwise specified by law for the allocation of moneys from that account.

(ii) The Controller, with the approval of the Department of Finance, may advance from the Motor Vehicle License Fee Account in the Transportation Tax Fund to any county or city that entity’s share of the vehicle license fee revenues transferred under clause (i), if that entity demonstrates that it will experience a hardship if the advance is not made. For purposes of this clause, those circumstances demonstrating that a county or city will experience a “hardship,” include, but are not limited to, the following:

(I) A county or city that has pledged its share of vehicle license fee revenues as security for any indebtedness that, as a result of the delay of the disbursement, will compromise its ability to repay that indebtedness.

(II) A county’s or city’s share of vehicle license fee revenues, as determined by the Controller, exceeds 37 percent of that entity’s general revenue. In the case of a county, the Controller shall make the required calculation of that entity’s general revenue based on information derived from the State of California Counties Annual Report for the 2000–01 fiscal year. In the case of a city, the Controller shall make the required calculation based on information derived from the State of California Cities Annual Report for the 2000–01 fiscal year.

1 (III) A city that is newly incorporated that is entitled to the  
2 allocations of vehicle license fee revenues authorized by Section  
3 11005.3.

4 (iii) Any funds advanced pursuant to a finding of hardship  
5 pursuant to clause (ii) shall be disbursed on the 10th day of the  
6 calendar month following findings of hardship. The total  
7 aggregate amount transferred based on findings of hardship  
8 pursuant to clause (ii) may not exceed forty million dollars  
9 (\$40,000,000).

10 (iv) For purposes of Section 15 of Article XI of the California  
11 Constitution, the transfers required to be made by this  
12 subparagraph shall constitute successor taxes that are otherwise  
13 required to be allocated to counties and cities, and as successor  
14 taxes, the obligation to make those transfers as required by this  
15 subparagraph may not be extinguished nor disregarded in any  
16 manner that adversely affects the security of, or the ability of, a  
17 county or city to pay the principal and interest on any debts or  
18 obligations that were funded or secured by that city's or county's  
19 allocated share of motor vehicle license fee revenues.

20 (b) The offset provisions set forth in subdivision (a) shall be  
21 operative as provided by the following:

22 (1) Paragraph (1) of subdivision (a) shall be operative for  
23 vehicle license fees with a final due date in the calendar year  
24 beginning on January 1, 1999.

25 (2) Paragraph (2) of subdivision (a) shall be operative for  
26 vehicle license fees with a final due date on or after January 1,  
27 2000, and before July 1, 2001.

28 (3) Paragraph (3) of subdivision (a) shall be operative for  
29 vehicle license fees with a final due date on or after July 1, 2001.

30 (c) (1) For purposes of this section, "department" means the  
31 Department of Motor Vehicles with respect to a vehicle license fee  
32 offset for a vehicle subject to registration under the Vehicle Code,  
33 and the Department of Housing and Community Development  
34 with respect to a vehicle license fee offset for a manufactured  
35 home, mobilehome, or commercial coach described in Section  
36 18115 of the Health and Safety Code.

37 (2) For purposes of this section, the "final due date" for a  
38 license fee is the last date upon which that fee may be paid without  
39 being delinquent.

SEC. 2. Item 9100-102-0001 of Section 2.00 of the Budget Act of 2003 (Chapter 157 of the Statutes of 2003) is repealed.

~~9100-102-0001 For local assistance, Tax Relief, for vehicle license fee offsets as allocated by the Controller to cities and counties . . . . . 1,000~~  
~~Provisions:~~  
~~1. Notwithstanding any other provision of law, the appropriation made by this item shall be in lieu of the appropriation for the same purpose contained in Sections 10754, 11000, and 11001.5 of the Revenue and Taxation Code.~~

SEC. 3. (a) Notwithstanding any other provision of law, the sum of three billion six hundred twenty-five million dollars (\$3,625,000,000) is hereby appropriated from the General Fund for allocation during the 2003–04 fiscal year by the Controller, pursuant to subdivision (a) of Section 11000 of the Revenue and Taxation Code, for the transfers required to be made to reimburse local governments for revenue losses resulting from the application of the vehicle license fee offsets, authorized pursuant to Section 10754 of the Revenue and Taxation Code, during the 2003–04 fiscal year.

(b) The Controller shall, no later than August 15, 2006, transfer from the General Fund, in addition to the three billion six hundred twenty-five million dollars (\$3,625,000,000) appropriated by subdivision (a), those amounts that are necessary to complete those allocations that are otherwise required to be made during the 2003–04 fiscal year, pursuant to subdivision (a) of Section 11000 of the Revenue and Taxation Code, to reimburse local governments for revenue losses resulting from the application of the vehicle license fee offsets authorized pursuant to Section 10754 of the Revenue and Taxation Code.

SEC. 4. (a) The sum of ten million three hundred thousand dollars (\$10,300,000) is hereby appropriated from the General Fund to the Department of Motor Vehicles for the purpose of administering vehicle license fee offset refunds issued to those taxpayers that paid vehicle license fees with a final due date on and after October 1, 2003, to which vehicle license fee offsets were not applied.

1 (b) The amount of moneys appropriated for the purpose set  
2 forth in subdivision (a) shall be available for expenditure only  
3 upon approval by the Department of Finance.

4 SEC. 5. This act is an urgency statute necessary for the  
5 immediate preservation of the public peace, health, or safety  
6 within the meaning of Article IV of the Constitution and shall go  
7 into immediate effect. The facts constituting the necessity are:

8 In order to provide reimbursement to local governments for the  
9 revenue losses associated with the vehicle license fee offset and to  
10 provide fair and equal treatment to California taxpayers, it is  
11 necessary that this act take effect immediately.

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